REPORT TO THE
COMMITTEE ON BANKING AND CURRENCY
HOUSE OF REPRESENTATIVES

74-0511

Review Of Certain Aspects Of The Urban Renewal Program In Lynn, Massachusetts

B-118754

Department of Housing and Urban Development

BY THE COMPTROLLER GENERAL
OF THE UNITED STATES

AUG. 1, 1973

COMPTROLLER GENERAL OF THE UNITED STATES
WASHINGTON, D.C. 20548

B-118754

The Honorable Wright Patman, Chairman
Committee on Banking and Currency
House of Representatives

Dear Mr. Chairman:

This report presents the results of our review of certain aspects of the urban renewal program in Lynn, Massachusetts, made pursuant to your request.

As agreed with your office, we obtained and incorporated in our report, as appropriate, the comments of the Department of Housing and Urban Development, the Lynn Redevelopment Authority, and the mayor of Lynn.

As also agreed with your office, copies of this report are being sent to Congressman Michael Harrington. We do not plan to distribute this report further unless you agree or publicly announce its contents.

Sincerely yours,

Comptroller General
of the United States

Contents

ABBREVIATIONS

CAC	citizens advisory council
ELA	early land acquisition
GAO	General Accounting Office
HUD	Department of Housing and Urban Development
LPA	local public agency
LRA	Lynn Redevelopment Authority

COMPTROLLER GENERAL'S REPORT TO THE COMMITTEE ON BANKING AND CURRENCY HOUSE OF REPRESENTATIVES

REVIEW OF CERTAIN ASPECTS OF THE URBAN RENEWAL PROGRAM IN LYNN, MASSACHUSETTS Department of Housing and Urban Development B-118754

D I G E S T

WHY THE REVIEW WAS MADE

A group of elected officials of Lynn, Massachusetts, in February 1972, presented the staff of the Committee with 15 charges concerning the Lynn Redevelopment Authority's administration of the Lynnway-Summer urban renewal project, which is financed, in part, with grants from the Department of Housing and Urban Development (HUD). HUD made these grants, totaling $10.6 million, under the urban renewal program established by the Housing Act of 1949.

At the request of the Chairman, GAO examined into the urban renewal program in Lynn and, in particular, the 15 charges.

FINDINGS AND CONCLUSIONS

Charges on acquisition of urban renewal land

Three of the 15 charges brought against the Lynn Redevelopment Authority were that the authority

--did not properly advise urban renewal area property owners that they could, within 2 years of the November 1969 eminent domain taking, petition the court to award them damages if they were not satisfied with the amount of the authority's awards,

--had not paid for all of the properties it acquired through its November 1969 eminent domain taking, and

--had inappropriately charged rent to former owners who were occupying their properties after the taking but who had not been paid by the authority for their properties. (See p. 15.)

Although the notices which the authority sent did not clearly advise the property owners of all of their rights under eminent domain proceedings, they did inform each property owner that, within 2 years of the date of the eminent domain taking, the property owner could petition the Massachusetts Superior Court for an assessment of damages if he was not satisfied with the amount awarded to him by the authority.

Former owners of 83 of the 90 parcels acquired by the authority through its November 1969 eminent domain taking had not been paid within 60 days contrary to Massachusetts General Laws. Some of the former owners, however, refused the authority's payment offer; and in these instances, according to a representative of the Massachusetts Attorney General's office, the authority did not violate the 60-day payment requirement. As of June 1, 1972--more than 2-1/2 years after

the taking--the authority still owed $454,300, excluding interest, to the former owners of 35 parcels.

An authority official told GAO that, at the time the 90 parcels were acquired, the authority did not have the funds to pay for them and meet future overall expenditures without the city's share of project costs. On June 21, 1972, the authority received the $3.9 million due from the city.

Although the authority charged rent to former owners, HUD's regional counsel in Boston advised GAO that, under Massachusetts law, title to the properties in the eminent domain taking passed to the authority when it filed the order of taking in the county's registry of deeds. HUD guidelines permit a redevelopment authority, which has acquired properties as part of its urban renewal program, to charge rents on properties acquired including those occupied by former owners.

HUD's regional counsel further advised GAO, however, that payment of the rents charged former owner-occupants could have been deferred and the amounts due offset against the amounts owed to them by the authority. (See pp. 15 to 28.)

Charges on relocation of urban renewal area residents

Lynn officials charged in three other counts that

--the authority's relocation plan did not provide for sufficient housing to relocate persons displaced by the Lynnway-Summer project,

--the authority did not relocate displaced families promptly and effectively, and

--the authority failed to follow HUD guidelines and temporarily relocated project residents into substandard housing acquired by the authority in the project area. (See p. 29.)

The relocation plan as approved by HUD in October 1968 provided for sufficient housing to relocate persons displaced by the Lynnway-Summer project. Although in May 1969 it became apparent that not all of the planned relocation housing would be forthcoming, the authority, contrary to HUD guidelines, did not prepare a new relocation plan and submit it for HUD approval until April 1972.

In December 1972 HUD approved an application from the Lynn Housing Authority for financial assistance to lease 70 units of low-income housing for families and individuals remaining to be relocated from the urban renewal area and expected to be eligible for low-rent public housing.

The authority did not relocate displaced families promptly. The authority temporarily relocated 50 families and individuals into other housing it acquired in the project area.

GAO found that Lynn's code enforcement inspectors had inspected some but not all housing units in the project area prior to their use as temporary housing and had certified that they met minimum local housing standards. As of April 30, 1973, the authority had relocated 546 families and 263 individuals from the project area while 69 families and 24 individuals still needed to be relocated. (See pp. 29 to 40.)

Charges on authority involvement in local political activities

Four of the charges brought against the authority concerned a circular mailed by the authority to the registered voters of Lynn and a circular distributed by the authority as an insert in a local newspaper just before the November 1971 referendum on the city council's decision to raise the city's cash share of project costs by selling bonds. These circulars supported the sale of bonds by the city to raise funds to pay its cash share of the cost of the Lynnway-Summer project.

GAO's review did not sustain three of the four charges. With regard to the remaining charge--that the authority violated State law by not signing the circular or newspaper insert--a representative of the Massachusetts Attorney General's office told GAO that the authority's actions appeared to violate State law. (See pp. 41 to 44.)

Other charges

One of the charges brought against the authority was that it attempted to deny the citizens of Lynn the opportunity to determine whether the Lynnway-Summer project would be carried out by not demanding the city's cash share of project costs when due in January 1969.

A citizens group contended that, had the authority demanded the city's cash share of project costs when it was due in January 1969, the Lynn city council would have been forced to approve the bond order, after which the citizens group could have filed a referendum petition allowing the citizens of Lynn to determine whether the project should be carried out.

Authority officials told GAO, however, that the purpose of the referendum was to determine whether the citizens of Lynn approved of the city council's decision to finance the local share of project costs by selling bonds, not to decide whether the project should be carried out. (See pp. 45 and 46.)

Another charge was that the authority had not maintained, in a proper and safe condition, those buildings in its possession which had been designated for demolition.

GAO's review showed that, from inception of the Lynnway-Summer project through November 1970 (about 1 year after the eminent domain taking), the buildings taken by the authority were demolished promptly and, accordingly, did not require any special maintenance.

Between November 1970 and September 1971, the authority delayed demolishing vacant buildings because of a shortage of funds. During this period, the authority took proper precautions by boarding up vacant buildings but experienced difficulty in keeping the buildings secured due to continual vandalism. (See pp. 46 and 47.)

Another charge was that the authority allocated to the Market Street urban renewal project certain administrative expenses that should have been allocated to the Lynnway-Summer project. GAO's review showed that about $89,000, or about 65 percent, of the $135,000 of administrative expenses allocated to the Market Street project between April 1969 and October 1972 should have allocated to the Lynnway-Summer project. (See pp. 47 to 49.)

The elected officials charged further that an authority property management employee worked on private property of an authority official and used authority materials for such work.

The employee involved told GAO that it was done during his normal duty hours without any additional compensation but that the materials used were provided by the official. The official acknowledged that the work was done but said that it was done during non-duty hours and paid for by him, not the authority.

GAO referred its findings on this matter to the HUD Regional Inspector General for Investigation. On March 12, 1973, he issued a report stating that the assistant U.S. attorney in Boston was apprised of the results of HUD's investigation but that he declined both civil and criminal prosecution of the matter because of the expiration of the time limit specified by the statute of limitations. (See pp. 50 and 51.)

The last charge was that the authority failed to comply with HUD guidelines by not insuring that a citizens advisory council was actively involved in the Lynnway-Summer project.

HUD requires that communities have a HUD-approved workable program in effect before an application for many of HUD's programs--including urban renewal--can be approved. HUD requires that a city's workable program contain evidence that the community is providing and expanding opportunities for citizens, especially those who are poor and members of minority groups, to participate in all phases of the related HUD-assisted renewal and housing programs.

In January 1970, the mayor of Lynn dissolved the citizens advisory council--established to comply with HUD's workable program requirement--and established a number of citizens task forces to take its place. The mayor told GAO that HUD was not advised of his decision to dissolve the council and that HUD had not monitored the city's actions to ascertain whether it was complying with HUD's workable program requirements during 1970 and 1971.

On August 1, 1970, HUD approved the city's November 1969 workable program recertification application. A HUD official informed GAO that this approval was based partially on the fact that the application reflected a strongly functioning citizens advisory council in Lynn. No HUD representatives visited Lynn to review the city's workable program activities until March 1972--28 months after the city submitted its November 1969 recertification application. (See pp. 51 to 53.)

AGENCY COMMENTS AND UNRESOLVED ISSUES

GAO furnished a draft of this report to HUD, the authority, and the mayor of Lynn for their comments. Their views have been considered and appropriately recognized in the report. HUD stated that the report objectively dealt with a difficult situation but that the one missing element was that GAO did not discuss the political climate throughout the course of the urban renewal program in Lynn and the personalities involved.

CHAPTER 1

INTRODUCTION

At the request of the Chairman, House Committee on Banking and Currency (see app. I), we examined into certain aspects of the urban renewal program in Lynn, Massachusetts.

We directed our examination to 15 charges (see app. II) made to the Committee by elected Lynn officials concerning the Lynn Redevelopment Authority's (LRA's) administration of the Lynnway-Summer urban renewal project. LRA, a local public agency (LPA), administers three grants totaling $10.6 million from the Department of Housing and Urban Development (HUD) for the Lynnway-Summer project.

The 15 charges brought against LRA cover

--acquisition of urban renewal land,

--relocation of urban renewal area residents,

--involvement in local political activities,

--delay in receipt of the city's share of project costs,

--failure to properly maintain acquired buildings,

--improper allocation of administrative expenses,

--misuse of project funds by LRA officials, and

--lack of citizen participation in urban renewal activities.

URBAN RENEWAL PROGRAM

The urban renewal program was established by the Housing Act of 1949 (42 U.S.C. 1441) (then known as the Slum Clearance and Community Development and Redevelopment program). Under the program HUD provides financial assistance to States and local public bodies for the redevelopment of slum and blighted areas.

HUD funding for urban renewal projects

HUD requires communities to survey their slum or blighted areas and prepare preliminary redevelopment plans before they apply for financial assistance for individual projects. The local government must adopt the plan before HUD will approve the application for financial assistance.

HUD provides financial assistance to LPAs through planning advances, loans, and grants. A planning advance is made to finance the planning of an urban renewal project. To enable an LPA to undertake a project, HUD makes direct loans or guarantees loans obtained from other sources.

HUD awards three types of grants to LPAs: (1) relocation grants for payments to individuals, families, and businesses for eligible relocation expenses, (2) rehabilitation grants for payments to assist eligible residents to rehabilitate their properties, and (3) capital grants for the Government's share of final project costs, usually two-thirds of the remaining net project costs (gross cost of an urban renewal project less proceeds from the disposition of land). For a capital grant, an LPA must obtain some funds from local sources as a prerequisite for Federal funding of the project.

If the LPA plans to obtain funds from another source, such as the city or State, as the local share of project costs, HUD requires that the LPA enter into a cooperation agreement with that source, which specifies the amount of funds to be paid to the LPA and the date when payment will be made.

Project planning

Urban renewal projects are accomplished in two basic phases--planning and execution. After HUD approves the preliminary plan and awards the LPA a planning advance, the LPA enters the planning phase which generally takes several years.

The product of project planning must be approved by the local governing body before being submitted to HUD for approval. The plan sets forth the locality's objectives for the urban renewal area and identifies the resources for

housing families and individuals that will need to be relocated.

HUD may make early land acquisition (ELA) loans to LPAs during the planning phase to enable LPAs to acquire and clear properties in the planned project area and to relocate families and individuals.

Project execution

The execution phase of an urban renewal project includes acquiring and clearing properties, rehabilitating structures, relocating residents displaced by project activities, and disposing of the acquired land to public or private developers for redevelopment in accordance with the urban renewal plan.

URBAN RENEWAL PROGRAM IN LYNN

LRA was established in July 1956 to implement urban renewal in Lynn, Massachusetts. As of April 1973, HUD had awarded grants to the city, under which the city could receive a maximum of about $14.4 million, for two urban renewal projects. HUD awarded a capital grant of $3.2 million for the Market Street project which began in 1962 and a capital grant of $8.6 million for the Lynnway-Summer project which began in 1965. In addition, HUD awarded relocation grants of $630,000 and $2 million for the Market Street and Lynnway-Summer projects, respectively, and a $35,000 rehabilitation grant for the Lynnway-Summer project. HUD also awarded planning advances for these projects as well as an ELA loan for the Lynnway-Summer project. A map of Lynn showing the location of the projects is included as appendix III.

LRA, which was established under Massachusetts laws, had, at the time of our review, an executive director who was responsible for the urban renewal projects and was accountable to the LRA board of directors. The board had five members, each serving 5-year terms. One member was appointed by the Governor of Massachusetts and four were appointed by the mayor of Lynn. The role of the board, which was required to meet monthly, was to establish policy and approve project activities, such as property takings, designation of redevelopers, hiring of personnel, and expenditure of project funds.

The net cost of urban renewal activities in Lynn through March 1973 was about $17.9 million, of which HUD had provided about $10.6 million. The Market Street project was substantially completed in 1966. LRA estimated in May 1973 that the Lynnway-Summer project would not be completed before March 1976.

The parties involved in the Lynn urban renewal program include

--LRA, which had primary responsibility for carrying out the urban renewal program;

--the mayor of Lynn, who reviewed LRA's proposed urban renewal plan and made recommendations thereon to LRA and the city council;

--the city council, which approved the urban renewal plan in November 1967;

--the Commonwealth of Massachusetts, which approved the urban renewal plan in March 1968; and

--HUD, which reviewed and approved the plan, provided planning advances, loans, and grants, and had responsibility for monitoring project activities for compliance with the urban renewal plan and HUD program guidelines.

The Lynnway-Summer project

In 1964 LRA began planning for the Lynnway-Summer project which encompassed 117 acres. One section of the project area was designated for industrial or commercial use and the remainder for residential, public, and institutional uses.

Planning phase

In April 1965 HUD awarded a planning advance of $363,740 to LRA for the Lynnway-Summer project and in February 1966, made an ELA loan of $2.35 million to accelerate acquisition and preparation of sites for a technical high school and moderate-income housing. The loan agreement provided that the city repay the loan only if the project did not progress from planning to execution.

In May 1966 LRA submitted to HUD part I of its two-part loan and grant application for the Lynnway-Summer project. It included the city's proposed urban renewal plan and plans for related items such as acquisition, demolition, site improvement, and relocation of urban renewal area residents.

Part I of the application contains information on the property to be acquired and how the land is to be redeveloped. HUD must approve part I before the city can conduct local public hearings on its urban renewal plan. Part II of the application includes legal documents, such as records of public hearings and city and State approvals of the urban renewal plan, and the cooperation agreement entered into between the LPA and the city.

At the time HUD approves part I of an LPA's application, it gives preliminary approval to the LPA's relocation plan. After approvals by the city and State, the relocation plan is resubmitted to HUD for final approval in part II of the application.

In September 1966 HUD rejected the relocation portion of LRA's part I application because most of the 336 public housing units, in which LRA planned to house many of the families and individuals to be relocated, were considered unacceptable. (See p. 33.) Local, State, and HUD officials met in November 1966 to discuss alternative relocation housing. On the basis of this meeting, LRA submitted a revised relocation plan, and in October 1967 HUD approved part I of LRA's application and gave preliminary approval to the revised relocation plan.

Execution phase

In April 1968 LRA submitted to HUD part II of its application for the Lynnway-Summer project. At that time, LRA estimated total project costs would be $14 million, of which about $1.1 million would be provided by selling project land. In October 1968 HUD approved the application and LRA's relocation plan and awarded LRA a capital grant in the maximum amount of about $8.6 million, which represented two-thirds of the estimated $12.9 million net project cost. HUD guidelines provided that HUD would reimburse LRA for project costs with periodic grant progress payments.

Under the terms of a December 1967 cooperation agreement between the city of Lynn and LRA, the city was to pay one-third of the estimated net project cost by providing $3,940,931 in cash by January 30, 1969 (of which $1,970,466 was to be reimbursed to the city over a period of years by the Commonwealth of Massachusetts), and $343,020 in noncash contributions.

In addition to the $8,567,902 capital grant, HUD awarded LRA a relocation grant of $721,980 to reimburse LRA for the cost of relocating families, individuals, and businesses from the project area. As of April 1973, HUD had increased the relocation grant to about $2 million and had awarded LRA a rehabilitation grant in the amount of $35,000 for rehabilitating residential properties in the urban renewal area.

In May 1972 the city council and the acting mayor proposed certain changes in the Lynnway-Summer project. These changes included revising project boundaries, eliminating certain units planned for the elderly, and eliminating a road planned for the project area. LRA agreed to most of the proposed changes, subject to the approval of the City Planning Department.

As of April 1973, the Lynnway-Summer project was about 70 percent complete. LRA estimated that final project costs would be at least $2.5 million above available project funds of $14.8 million and that the original completion date of October 1975 would probably be extended to March 1976.

HUD officials told us in April 1973 that LRA would have to obtain from the city the $2.5 million needed to complete the project unless HUD increased its capital grant for the project and paid two-thirds of the increased costs.

Payment of city's contribution

In May 1969 LRA requested its first progress payment in the amount of $1.43 million. HUD returned the request pending LRA's receipt of the city's $3.9 million cash contribution. LRA resubmitted its first progress payment request in July 1969 in the revised amount of $2.25 million. By letter dated July 25, 1969, the mayor of Lynn advised HUD that, because of local circumstances, it was preferable that the city not issue bonds for its share of project costs before the latter part of 1969. The mayor assured HUD in his letter that an order authorizing the issuance of bonds for the city's cash contribution would be submitted to the Lynn city council not later than November 15, 1969.

HUD records showed that in September 1969, on the basis of the mayor's July 1969 letter, HUD provided a capital grant progress payment of $1.75 million to LRA for the Lynnway-Summer project. Although such a payment was not to be made until the local share of project costs was received, the HUD guidelines provided for an exception in certain circumstances. HUD's reasons for allowing an exception are discussed on page 19.

The mayor submitted the bond order to the city council on November 12, 1969, and the city council approved it on December 9, 1969. On November 14, 1969--almost 1 month

before the city council approved the bond order--LRA filed an order in the county's registry of deeds to execute an eminent domain taking involving 90 parcels of land at a HUD-concurred-in acquisition price of $1.1 million. The 90 parcels represented 34.6 of the 117 acres in the project area. An LRA official stated that, at the time the 90 parcels were acquired, LRA did not have the funds to pay for them and meet future overall expenditures without the city's share of project costs.

Since early 1968 a citizens group in Lynn had opposed the Lynnway-Summer project. They advocated a need for more housing rehabilitation in the urban renewal area rather than demolition of structures and stated that there was a lack of sufficient housing to relocate families and individuals residing in the urban renewal area. Certain members of this citizens group later became elected officials of the city of Lynn and were among those who brought the charges concerning LRA's administration of the project.

The citizens group filed a petition with Lynn's board of election commissioners on December 29, 1969, to have a referendum on whether the city should sell bonds to pay for its share of project costs. However, the city solicitor subsequently ruled that the petition was not valid because it had not been filed with the city clerk.

In February 1970 the citizens group filed suit in local court seeking a permanent injunction to enjoin the city from selling any bonds for the local share of the costs of the Lynnway-Summer project unless such action was approved by the residents of Lynn in a referendum.

In April 1970 HUD informed the mayor of Lynn that, if the city's share was not paid within 30 days, HUD would request LRA to initiate legal action to obtain the local share and would charge the city interest. The city's share was not forthcoming, and on June 22, 1970, LRA filed suit against the city of Lynn for the local share of project costs.

While these actions were taking place, HUD continued to make capital grant progress payments to LRA and continued to reimburse LRA for payments made to families, individuals, and businesses relocated from the project area.

In May 1971, while the referendum question was still in the courts, Lynn incorporated a referendum in the November 1971 municipal election to decide whether the city should sell bonds to pay for its share of the Lynnway-Summer project.

The municipal election was held on November 2, 1971. The local court voided the election because a sufficient number of blank ballots were not available to allow all voters to cast a ballot. Election day was rescheduled for November 30. HUD records showed that, on November 29, 1971, the Massachusetts Supreme Judicial Court ordered the city, on the basis of the cooperation agreement between the city and LRA, to pay LRA a total of $4.3 million--the city's cash contribution of $3.9 million plus interest at the rate of 6 percent from June 22, 1970, the date of demand for payment by LRA.

On November 30, 1971, the residents of Lynn by referendum approved the city council decision to raise the city's cash share of project costs by selling bonds. The residents also voted into office a new mayor and two new city councilors who opposed the Lynnway-Summer project.

In April 1972 the mayor of Lynn died after about 3 months in office and the president of Lynn's city council became acting mayor. The acting mayor signed the bond order on May 4, 1972, and shortly thereafter the city issued bonds totaling $3.9 million for the city's cash share of project costs. As of June 19, 1972, the city had not paid its cash share, and on that date LRA obtained a Writ of Mandamus from the Massachusetts Supreme Court ordering the treasurer of Lynn to pay LRA the bond proceeds. On June 21, 1972, LRA received the $3.9 million from the city.

Although the city did not pay its cash share from January 30, 1969, the date called for in the cooperation agreement, to June 1972 (42 months), officials of LRA, the city, and a representative of the Massachusetts Attorney General's office told us that the city could not have paid its cash share during the period February 1970 through November 1971 (22 months) because of the suits brought against the city by the citizens group and by LRA.

In July 1972 the former president of the citizens group which opposed the Lynnway-Summer project was elected mayor.

As of April 30, 1973, the city owed LRA interest charges of about $507,000 and its noncash contribution of $343,000. Between December 1972 and April 1973, LRA sent several letters to the city of Lynn demanding the interest charges. The mayor said in May 1973 that he did not intend to make this payment because this was not a legal obligation of the city. LRA's former legal counselor advised us in May 1973 that, if the city did not pay the interest charges, LRA would file a petition with the Massachusetts Supreme Judicial Court for a Writ of Mandamus ordering the treasurer of Lynn to pay LRA the interest charges.

HUD officials told us that the noncash contribution of $343,000 represented the costs of certain site improvements in the project area which the city was to pay for, such as sidewalks and curbing. Because the city had not provided these, LRA contracted for the work and the city will have to reimburse LRA for the work at the completion of the project. The mayor of Lynn advised us in May 1973 that he was not aware of this obligation and that it was an issue that would have to be resolved at a later date.

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We furnished a draft of this report to HUD, LRA, and the mayor of Lynn for their comments. Their views have been considered and appropriately recognized in the report. HUD stated that the report objectively dealt with a difficult situation but that the one missing element was a discussion of the political climate throughout the course of the urban renewal program in Lynn and the personalities involved.

CHAPTER 2

ACQUISITION OF URBAN RENEWAL LAND BY LRA

Three of the 15 charges brought against LRA in February 1972 were that LRA (1) did not properly advise urban renewal area property owners that they could, within 2 years of the November 1969 eminent domain taking, petition the court for damages if they were not satisfied with the amount of the LRA awards, (2) had not paid for all the properties acquired through its November 1969 eminent domain taking, and (3) had inappropriately charged rent to former owners who were occupying their properties after the taking but who had not been paid for their properties.

Although the notices sent by LRA to the urban renewal area property owners did not fully advise the owners of their rights under eminent domain proceedings, the formal offers submitted between November 1969 and January 1970 did advise the property owners that they could accept the offerred amounts without surrendering the right to claim a larger amount before the Massachusetts courts.

Former owners of 83 of the 90 parcels acquired by LRA through its November 1969 eminent domain taking had not been paid by LRA within 60 days, contrary to Massachusetts General Laws. However, some of the former owners of the 83 parcels had refused LRA's payment offer, and in these instances, according to a representative of the Massachusetts Attorney General's office, LRA did not violate the 60-day payment requirement. As of June 1, 1972--more that 2-1/2 years after the taking--LRA still owed $454,300, excluding interest, to the former owners of 35 parcels. As of April 30, 1973, LRA still owed $42,100, excluding interest, to the former owners of four of these parcels.

Although LRA charged rent to the former owners, HUD's regional counsel in Boston said that, under Massachusetts law, title to the properties in the eminent domain taking passed to LRA when it filed the order of taking in the county's registry of deeds. He further said, however, that payment of the rents charged former owner-occupants could have been deferred and the amounts due offset against the amounts LRA owed them.

NOTICE TO URBAN RENEWAL AREA RESIDENTS
REGARDING EMINENT DOMAIN TAKING

On November 14, 1969, LRA executed an eminent domain taking of 90 parcels comprising 34.6 acres at a HUD-concurred-in acquisition price of $1.1 million. HUD guidelines required that LRA contact each property owner, through personal interview if feasible, to explain how it would acquire his property under eminent domain proceedings if he rejected the offer to purchase the property. In addition, Massachusetts law required that LRA inform each property owner of his rights under eminent domain proceedings, including the right to be paid in the amount offered and the right to petition the court, within 2 years of the taking, for an assessment of damages if he was not satisfied with the amount. One of the charges was that LRA had not complied with this requirement.

LRA officials told us that their representatives had met with each property owner included in the November 1969 eminent domain taking. We could not verify this from LRA records; however, LRA records showed that notices to purchase the properties had been delivered by registered mail to the owners of the 90 parcels of land included in the condemnation proceedings.

These notices explained that LRA was taking the properties as a part of its land acquisition program for the Lynnway-Summer project and informed each property owner (1) of the amount of damages he would be awarded, (2) his right to request payment of the award within 15 days of the notice of taking, (3) that within 2 years of the date of the eminent domain taking the property owner could petition the Massachusetts Superior Court for an assessment of damages if he was not satisfied with the amount awarded to him by LRA, and (4) that in the near future the property owner would receive a formal offer of the amount awarded.

A representative of the Massachusetts Attorney General's office informed us that the notification sent by LRA did not specifically meet all the requirements of Massachusetts law because the exact date the property owner could have obtained payment was not clear. Also the notices failed to specify that, if the amount LRA offered was accepted by the property owner, but not agreed upon, and the court subsequently determined that the amount accepted was excessive, the property

owner would be required to refund the amount of the overpayment.

Although the notices did not clearly advise the urban renewal area property owners of their rights under eminent domain proceedings, the representative of the Massachusetts Attorney General's office was of the opinion that, if the notices were challenged in the courts, the notices would, in all probability, be considered to be in compliance with Massachusetts statutes.

PAYMENT FOR PROPERTIES ACQUIRED THROUGH EMINENT DOMAIN PROCEEDINGS

One of the charges made in February 1972 was that LRA had not paid for all 90 properties acquired in the November 1969 eminent domain taking. Our review showed that the former owners of 83 of the 90 parcels had not been paid by LRA within 60 days contrary to Massachusetts General Laws. (See p. 23.) Our review showed, however, that some of the former owners of the 83 parcels refused LRA's payment offer; and in these instances, according to a representative of the Massachusetts Attorney General's office, LRA did not violate the 60-day payment requirement. As of June 1, 1972--more than 2-1/2 years after the taking and just before receipt of the city's cash share of project costs--LRA still owed $454,300, excluding interest, to the former owners of 35 parcels.

An LRA official stated that, at the time the 90 parcels were acquired, LRA did not have the funds to pay for them and meet future overall expenditures without the city's share of project costs. Between November 1969 and June 1, 1972, LRA paid $771,450 for 56 parcels acquired by the eminent domain taking. Included in this amount was $40,000 for one parcel. LRA gave a $135,000 note for the balance due on this parcel. Between receipt of the city's share in June 1972 and January 31, 1973, LRA paid $348,700--including the $135,000 note--excluding interest, for 15 additional parcels.

During February, March, and April 1973, LRA paid $63,500, excluding interest, for 15 additional parcels. As of April 30, 1973, LRA owed $42,100, excluding interest, for the remaining four parcels. LRA's legal counselor

provided us with information showing that LRA had not paid for these because of legal difficulties.

On April 18, 1973, LRA's board of directors unanimously passed a motion to set funds aside in escrow, in accordance with State law, to pay for the four parcels. As of June 11, 1973, this action had not been taken, and the directors passed another resolution directing the LRA treasurer to deposit funds for them in a separate savings account.

As of April 30, 1973, 26 suits had been brought against LRA in the local courts for damages resulting from LRA's eminent domain taking, and only one of these cases had been settled. In that case the court awarded the former owner $3,000 above the amount offered by LRA for the property. HUD officials stated that this amount would be included in eligible project costs and would be shared by HUD at the completion of the project. However, as previously stated (see p. 11), LRA estimated in April 1973 that final project costs would exceed available funds by $2.5 million; and HUD will not share in funding the excess costs unless it increases the amount of the capital grant awarded to LRA.

Reasons for eminent domain taking by LRA

In July 1969 LRA's board of directors passed a resolution requesting HUD concurrence in LRA's proposal to obtain certain property within the project area by condemnation. LRA informed HUD that the taking would be made for a number of reasons, including (1) the fact that many owners preferred to have their property taken by condemnation in order that they might have the option to ask the court to increase the acquisition price and (2) the fact that LRA needed to acquire certain parcels to complete the assembly of larger parcels where only part of the land had been acquired by successful negotiation.

On August 26, 1969, HUD advised LRA that it concurred in the proposed eminent domain taking, conditioned upon LRA's assurance that LRA would comply with HUD's payment requirements on eminent domain takings.

At the time LRA acquired the 90 parcels, opponents of the urban renewal program in Lynn threatened that, if the

city council approved payment of the city's share by selling bonds, they would file a petition with the city to withhold the sale of the bonds until the voters of the city approved such sale by a referendum.

LRA officials said that, although they knew they would not have sufficient funds to pay for the properties and carry out other project activities unless LRA received the city's cash share of project costs on time, they executed the November 1969 eminent domain taking because (1) members of the city council said that the city council would approve a bond order for payment of the city's share when the matter came up for a vote in December 1969 and (2) most LRA officials were confident that the opponents of urban renewal in Lynn would not be able to obtain a sufficient number of valid signatures to have the referendum petition approved by the city.

HUD's reasons for making initial grant progress payment before LRA's receipt of local funds

In September 1969 HUD made the initial capital grant progress payment to LRA of $1.75 million although the city had not paid its share of project costs. HUD guidelines provide that the local share of project costs shall be paid no later than the date on which the LPA is expected to become eligible for the initial capital grant progress payment. These guidelines further provide that an exception can be authorized if the LPA can demonstrate that funds cannot be made available by that date. If an exception is granted, however, the city's payment is to be made at the earliest possible date.

HUD regional officials told us that LRA was granted an exception for two reasons. First, in July 1969 the mayor wrote to HUD's New York regional office[1] stating that it was preferable that the city not issue bonds to pay its share

[1]Effective September 30, 1970, HUD established its Boston regional office. Before that, HUD's New York regional office was responsible for administering HUD grants for the Lynnway-Summer project.

of project costs until the latter part of 1969 and assuring HUD that the bond order would be submitted to the city council not later than November 15, 1969. Second, the LRA legal counselor signed a legal opinion in July 1969 certifying that no litigation of any nature was pending or being threatened on the city's proposal to sell bonds to pay its share of project costs.

HUD records indicated that HUD had been aware that the local citizens group had threatened a petition regarding the future of the Lynnway-Summer project and that, at the time HUD approved the initial capital grant progress payment for the Lynnway-Summer project, it knew the matter had not been resolved.

Failure of LRA to comply with HUD payment requirements

Title IV of the Housing and Urban Development Act of 1965, as amended (42 U.S.C. 3071), states in section 402:

> "As a condition of eligibility for Federal assistance pursuant to a development program, each applicant for such assistance shall satisfy the Secretary that the following policies will be followed in connection with the acquisition of real property by eminent domain in the course of such program * * * (2) no owner shall be required to surrender possession of real property before the applicant pays to the owner (A) the agreed purchase price arrived at by negotiation, or (B) in any case where only the amount of the payment to the owner is in dispute, not less than 75 per centum of the appraised fair value of such property as approved by the applicant * * *."

Although this section of the statute was repealed and superseded by the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970 (Public Law 91-646), it was the statute in effect in November 1969 when LRA acquired the 90 parcels under eminent domain proceedings.

HUD's Urban Renewal Handbook in implementing title IV required an applicant for urban renewal assistance to submit assurances that the applicant would comply with the above-stated policy of providing 75 percent of the HUD-concurred-in acquisition price before any eminent domain taking.

As part of its submission to HUD's New York regional office on August 6, 1969, LRA stated that:

> "75% of the HUD concurred-in acquisition prices will be deposited with the office of the Mayor of the City of Lynn and made available at any time to the prior owners of the properties taken by condemnation."

LRA stated in its November 1969 order for acquiring the 90 parcels by condemnation that:

> "* * * the Lynn Redevelopment Authority * * * has deposited with the Mayor of the City of Lynn security to his satisfaction for the payment of such damages as may be awarded in accordance with law to the owner or owners of said area, as required by General Laws* * *."

The LRA executive director told us that LRA considered the requirement to deposit 75 percent of the acquisition costs with the mayor's office to have been fulfilled because the city's cash share of project costs, $3.9 million, exceeded 75 percent of the eminent domain acquisition cost of $1.1 million. However, as previously stated, the city did not pay LRA its cash share of project costs until June 1972.

We solicited the views of HUD's regional counsel in Boston on this matter and he stated in September 1972 that the purpose of requiring an LPA to include in its submission an assurance that funds to pay for property to be taken had been set aside:

> "* * * is to ensure that it will be implemented by the redevelopment agency, and the failure of the Lynn Redevelopment Authority to implement its promise constitutes a violation of HUD guidelines. However, the Lynn Redevelopment Authority did not intend to fail to implement this assurance at the time it was made, and was prevented from doing so only by the city's failure to supply its share of the project cost. While this does not negate the fact that the Redevelopment Authority failed to carry out a HUD requirement, we feel that the ultimate responsibility for this failure rests with the City of Lynn."

* * * * *

> "We understand that these funds are being made available to the Redevelopment Authority by the City of Lynn; therefore, those persons whose property was taken without compensation will soon receive payment."

We also discussed this matter with a representative of the Massachusetts Attorney General's office, who told us that LRA had violated Massachusetts General Laws which provide that payment for land acquired under eminent domain proceedings shall be made no later than 60 days after the land is taken by the LPA or 15 days after demand for payment is made by the former owners. He further advised us, however, that, if a former owner was not paid within the 60-day period because he refused the offer, the LPA would not be considered in violation of the 60-day payment requirement.

As previously mentioned, title IV of the Housing and Urban Development Act of 1965 was repealed and superseded by the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970, approved January 2, 1971. This act was established:

> "* * * to provide for uniform and equitable treatment of persons displaced from their homes, businesses, or farms by Federal and federally assisted programs and to establish uniform and equitable land acquisition policies for Federal and federally assisted programs."

Title III of the act provides, in part, that:

> "No owner shall be required to surrender possession of real property before the head of the Federal agency concerned pays the agreed purchase price, or deposits with the court in accordance with section 1 of the Act of February 26, 1931 (46 Stat. 1421; 40 U.S.C. 258a), for the benefit of the owner, an amount not less than the agency's approved appraisal of the fair market value of such property, or the amount of the award of compensation in the condemnation proceeding for such property."

In January 1973 HUD's Assistant Secretary for Community Development issued a Real Property Acquisition Handbook which established uniform policies and requirements for acquiring real property under all HUD community development programs except rehabilitation loans under section 312 of the Housing Act of 1965. The handbook implements title III of the act and states that:

"In order to receive HUD financial assistance for a program or project under which real property is to be acquired, the Agency must first submit to HUD, an assurance of compliance with real property acquisition requirements of Title III of the Act, including the following:

"a. In acquiring real property in connection with the instant project, the Agency will be guided to the greatest extent practicable under State law, by the real property acquisition policies set out under Section 301 of the Act and the provisions of Section 302 thereof."

The handbook also provides that no owner be required to surrender possession of his real property until the LPA:

"a. Pays or tenders to him or deposits in the court in which the condemnation proceeding has been instituted, the agreed purchase price or the amount of the court award, or

"b. Deposits with the court in which the condemnation proceeding has been instituted, an amount not less than the estimated just compensation for such property, provided such amount may be withdrawn (less costs for outstanding liens, loans or other encumbrances) by the owner without prejudice to his right to obtain a subsequent determination of value for his property by the court."

We believe that, if properly implemented, the provisions of the act and the handbook will prevent situations, such as Lynn's, from occurring in the future.

LRA's priority payments to property owners

According to the LRA executive director, the eminent domain taking was made in November 1969 in anticipation of receiving the city's cash share of $3.9 million shortly thereafter. He stated that because these funds were delayed, LRA was unable to pay the former owners of 83 of the 90 parcels within 60 days as required and still meet its other program commitments and financial needs. The lack of funds was reported at a December 1969 LRA board of directors meeting. At that meeting LRA's legal counselor stated that "People in hardship cases will be taken care of first; however, we must exercise a certain amount of judgment on those who need it."

In January 1970 LRA prepared a priority payment list. The list included 33 parcels of land acquired by LRA, 30 of which were included in the eminent domain taking and 3 for which LRA had options to purchase. LRA officials said that the payment list was established so that LRA funds would be available to (1) pay those former owners whose properties were taken and who were in dire need of funds, (2) acquire parcels needed for immediate redevelopment, and (3) pay for parcels for which funds previously had been reserved.

Between November 1969 and June 1972 when the city's cash share was received, LRA paid for 55 of the 90 parcels which had been taken by the eminent domain action, including the 30 on the priority payment list. As of June 1, 1972, LRA still owed $454,300, excluding interest, to the owners of 35 of the parcels. During this same period, however, 21 parcels not included in the eminent domain taking were purchased and paid for by LRA at a cost of about $250,000 and 2 others were purchased by LRA with notes totaling about $57,000.

LRA purchased these 23 parcels prior to paying for the parcels acquired by the eminent domain action. LRA records showed that eight parcels were purchased because of court awards, four were purchased for demolition to eliminate conditions which constituted a danger to public safety and general welfare, and one was purchased with disposition pending. The remaining 10 parcels, according to LRA records, were purchased because the owners were hardship cases who needed funds.

From November 1969 through June 1972, other expenditures totaling $2.56 million were made by LRA.

Interest	$ 643,000
Administration	600,000
Relocation payments	586,000
City property taxes	[a]289,000
Site clearance	284,000
Temporary operation of acquired properties	57,000
Site improvements	43,000
Other	58,000
Total	$2,560,000

[a]LRA paid the city $289,000 in back property taxes on June 21, 1972, upon receipt of the city's cash share of project costs.

LRA's executive director said that, although some of the owners of the properties taken by eminent domain had not been paid, the above expenditures were made by LRA to remove dangerous structures, prepare sites for redevelopment, relocate urban renewal area residents, and repair acquired properties so that they could be used to temporarily house families being relocated from the urban renewal area. HUD specifically directed LRA to make relocation payments to families and individuals being relocated from the urban renewal area and to make interest payments on outstanding loans made to LRA to finance the project. HUD, in its comments on the draft report, stated that it had specifically required LRA to remove certain hazardous structures and to set up a priority system for the expenditure of funds so as to provide safe conditions for those remaining in the project area.

LRA officials advised us that, because of the lack of funds, amounts owed to the property owners were not paid and activities, such as acquisition of property, site clearance, land improvement, and provision of social services to project residents relocating from the urban renewal area, were reduced or eliminated. Also, the LRA staff was reduced from 38 to 20 employees between January and October 1970. As of October 1972, LRA had only 16 employees.

PROPRIETY OF CHARGING RENT FOR PROPERTY ACQUIRED BUT NOT PAID FOR

One of the charges made against LRA was that it had inappropriately charged rent to former owners who were occupying their properties after the eminent domain taking but who had not been paid by LRA. The owners of 83 of the 90 parcels taken by LRA in November 1969 were not paid by LRA within the 60 days as required by Massachusetts General Laws. The owners of 35 of these 83 parcels had not been paid as of February 1972 when the charges were made.

Property rental records showed that in May 1972 LRA was charging rent to residential and business tenants of 13 of the 35 unpaid for parcels; the remaining 22 parcels either had been cleared or contained unoccupied structures. Only 4 of the 13 rented properties were occupied by former owners who had not been paid.

HUD guidelines permit an LPA which has acquired properties as part of its urban renewal program to charge rents on properties, including those occupied by former owners. The guidelines indicate that the LPA's right to charge rent begins when it acquires the property, although the starting date for rent collection may be later.

The LRA executive director advised us that LRA established rental rates for the properties in accordance with HUD guidelines. He said the amounts established were the lesser of (1) the rents previously paid by the occupants or (2) 25 percent of the occupants' monthly incomes.

The rental records showed that LRA was charging $10 a week to each of the former owner-occupants of two residences and $50 and $75 a month to the former owner-occupants of two business properties. The records also showed that LRA was charging from $12 to $25 a week to each of the six other residential tenants who were not former owners and $50 to $125 a month to each of the three other business tenants who were not former owners. The executive director stated that the rents established did not exceed LRA's management costs for such properties, including maintenance and taxes.

HUD's regional counsel in Boston advised us that, under Massachusetts law, title to the properties in the eminent domain taking passed to LRA when it filed the order of taking

in the county's registry of deeds. He further advised us, however, that payment of the rents charged former owner-occupants could have been deferred and the amounts due offset against the amounts LRA owed them.

CHAPTER 3

RELOCATION OF URBAN RENEWAL AREA RESIDENTS

The successful relocation of families and individuals displaced by an urban renewal project is an important requirement of the urban renewal program. HUD guidelines provide that families and individuals displaced by an urban renewal project be provided the full opportunity of occupying housing that is decent, safe, and sanitary; within their financial means; in reasonably convenient locations; and available on a nondiscriminatory basis. These guidelines provide further that relocation be carried out with a minimum of hardship to site occupants.

Three of the charges brought against LRA were that (1) LRA's relocation plan did not provide sufficient housing to relocate persons displaced by the Lynnway-Summer project, (2) LRA did not relocate displaced families promptly and effectively, and (3) LRA failed to follow HUD guidelines and temporarily relocated project residents into substandard housing acquired by LRA in the project area (onsite).

In October 1968 HUD approved LRA's relocation plan and awarded LRA a capital grant of $8.6 million and a relocation grant of $722,000 for the execution phase of the Lynnway-Summer urban renewal project. The plan was approved, in part, on the basis that the Lynn Housing Authority would construct, purchase, or lease 975 units of public housing for families and individuals displaced during the execution phase of the project. Sufficient housing would have been available if the housing units included in the HUD-approved relocation plan had been forthcoming. However, 875 of the 975 units of relocation housing planned for the project were not forthcoming.

Because of the shortage of relocation housing, LRA did not relocate displaced families promptly. LRA, with HUD's approval, temporarily relocated 50 families and individuals into other housing acquired by LRA in the project area. As of April 30, 1973, 546 families and 263 individuals had been relocated from the project area and 69 families and 24 individuals remained to be relocated.

In December 1972 HUD approved an application from the Lynn Housing Authority for financial assistance to lease 70 units of low-income housing to assist in alleviating the relocation housing problem in Lynn. HUD officials told us that the 70 units were the number needed to house those families and individuals remaining to be relocated from the urban renewal area and expected to be eligible for low-rent public housing and that the Lynn Housing Authority had assured HUD that these families and individuals would have first priority in obtaining housing in the 70 units. As of May 10, 1973, the Lynn Housing Authority had leased 13 of the 70 units. Nine of the 13 units were occupied by families and individuals that had relocated from the urban renewal area.

Our review showed that Lynn's code enforcement inspectors had inspected 48 of the 69 onsite relocation units before their use as temporary housing and had certified that they met minimum local housing standards. The other 21 units were not inspected because LRA did not request inspections.

RELOCATION PLAN

HUD guidelines require an LPA to submit to HUD for approval a relocation plan for the ELA phase of an urban renewal project. HUD further requires the LPA to update that plan for use during the execution phase of the project and to submit it to HUD for preliminary approval before submitting the plan to the city and State for approval. After the plan is approved by the city and State, it must be resubmitted to HUD for final approval.

In addition, the guidelines provide that, if a significant change in relocation workload or resources occurs after HUD's approval, the LPA shall submit for HUD approval (1) a detailed explanation of the changes--favorable or unfavorable--which have occurred in the estimates of needs or resources as set forth in the approved plan and (2) a description of the specific actions which the LPA intends to take, or is taking, in the case of an unfavorable change in relocation resources.

In April 1965, before submitting its application for an ELA loan, LRA submitted to HUD a preliminary draft of its relocation plan for the ELA phase of the Lynnway-Summer project. In that plan LRA estimated that 777 families and individuals

would be relocated from the project area over a 5-year period and that 336 of those families and individuals would primarily be relocated in 2 of Lynn's existing public housing projects--America Park, a State-assisted project with 408 units, and Curwin Circle, a federally assisted project with 300 units. Both of these projects are owned and operated by the Lynn Housing Authority.

During its analysis of the draft plan in June 1965, HUD questioned the feasibility of relocating 336 families and individuals to the existing public housing. HUD stated that the high turnover rate in the public housing projects suggested that location, maintenance, or management problems made this housing undesirable.

In September 1965 LRA submitted its application to HUD for a loan of $2.5 million for the ELA phase of the Lynnway-Summer project. The application included the relocation plan LRA developed for the relocation of families and individuals expected to be displaced by the project. A table showing the number of families and individuals to be relocated and the housing resources follows.

Relocation Workload

	ELA phase	Execution phase	Total
Families	243	341	584
Individuals	79	114	193
Total	322	455	777

Relocation Resources

	ELA phase	Execution phase	Total
Public housing	143	193	336
Private rental	138	211	349
Private purchase	41	51	92
Total	322	455	777

According to the relocation plan, 496 of the 777 families and individuals to be relocated from the urban renewal area would be eligible for public housing but only 336 would actually relocate to public housing. LRA estimated that the

remaining 160 families and individuals would find other suitable housing. In addition, LRA estimated that 19 families might require temporary onsite relocation housing during the initial stage of the ELA phase because of a temporary shortage of available relocation units outside the project area. LRA further estimated that the majority of the families and individuals expected to relocate to public housing would move into the America Park or Curwin Circle public housing projects.

In November 1965 HUD again questioned the adequacy of the public housing projects as relocation resources. HUD noted, however, that LRA and the Lynn Housing Authority were working to obtain additional public housing for Lynn. In February 1966, HUD approved LRA's relocation plan for the ELA phase of the project and awarded an ELA loan of $2.35 million.

Execution phase

In May 1966 LRA submitted to HUD part I of its loan and grant application for the execution phase of the project. The application included an updated plan for relocating displaced families and individuals that was essentially the same as the relocation plan for the ELA phase which HUD approved in February 1966.

HUD rejected the relocation plan in September 1966 because the two public housing units designated by LRA as the primary relocation resource--America Park and Curwin Circle--were unacceptable. HUD, in a letter dated September 19, 1966, advised LRA that these two projects were unacceptable because (1) they were not within easy walking distance of family service stores, (2) there was a lack of dependable public transportation to Lynn's central business district, and (3) the physical appearance of the two projects was undesirable. HUD in its comments on our draft report stated further that these units were unacceptable because they were structurally substandard.

HUD advised LRA that an acceptable relocation plan could be developed if LRA revised its present plan to include as a relocation resource the new public housing recently proposed by the Lynn Housing Authority. The housing authority had applied to HUD for financial assistance for the new public housing. HUD stated that the two existing public housing projects could be used as a secondary relocation resource if the projects were rehabilitated and adequate public transportation was provided for the residents.

LRA revised its relocation plan in accordance with HUD's suggestions and resubmitted the plan in March 1967. The plan, which was given preliminary HUD approval in May 1967, included the following relocation resources.

--The America Park (408 units) and Curwin Circle (300 units) projects were to be rehabilitated with State and HUD financial assistance, and adequate public transportation was to be provided for the residents.

--94 units of moderate-income housing were to be constructed by the Lynn Housing Authority.

--176 units of housing for the elderly, which were being constructed by the Lynn Housing Authority, were substantially complete.

--150 units of leased housing for large low-income families were to be made available by the Lynn Housing Authority.

--600 units of housing for the elderly were to be constructed by the Lynn Housing Authority--300 units during and 300 units after the execution phase of the Lynnway-Summer project.

HUD gave preliminary approval of LRA's relocation plan in May 1967 and approved part I of the loan and grant application in October 1967. Approval of part I of the loan and grant application was required before the city council could hold public hearings and vote on approval of the overall urban renewal plan for the execution phase of the Lynnway-Summer project. After holding public hearings, the city council in November 1967 approved the urban renewal plan, including the HUD-approved relocation plan.

In March 1968 the State approved the overall urban renewal plan but withheld its approval of the relocation portion. In April 1968 LRA submitted part II of its loan and grant application to HUD. As of August 1968, the State had not approved the relocation plan and HUD had not approved LRA's part II application. The State questioned the validity of the relocation resources shown in the plan because (1) the 176 units of housing for the elderly had been completed and were fully occupied, (2) the 150 units of leased housing rented by the Lynn Housing Authority were about 90 percent occupied, and (3) the State had not provided funds to rehabilitate the 408-unit America Park housing project.

According to a former State official, the State approved the relocation plan in September 1968 after HUD assured the State that (1) HUD would approve an application from the Lynn Housing Authority for 100 additional units of low-income housing to be leased and used as relocation housing, (2) HUD would award a grant to the Lynn Housing Authority for rehabilitating the federally assisted Curwin Circle public housing project, and (3) the Curwin Circle units would

not be used to house families and individuals relocated from the urban renewal area until they were completely rehabilitated.

In October 1968 HUD approved part II of the LRA application and awarded LRA a capital grant of $8.6 million and a relocation grant of $722,000 for the execution phase of the Lynnway-Summer project. This approval constituted the final approval of LRA's relocation plan for the project. HUD permitted the project to enter the execution phase primarily on the basis that the Lynn Housing Authority planned to obtain financial assistance from HUD to

--construct 600 units of housing for the elderly,

--construct 250 additional units of public housing,

--purchase structures containing 25 units for resale to tenants on terms that would enable them to make the purchase without undue financial hardship, and

--lease an additional 100 dwelling units from private owners for rental to low-income families.

When we completed our fieldwork in November 1972, 875 of the 975 housing units discussed above had not been forthcoming. The only units to become available were the 100 units leased by the Lynn Housing Authority.

HUD and the city could not agree on a location for the 600 units of housing for the elderly, and the mayor opposed the construction of the additional public housing. As a result, in May 1969, HUD withdrew its program reservation for constructing 500 of the 600 units for the elderly and returned the Lynn Housing Authority's applications for financial assistance in constructing the 250 public housing units and purchasing the 25 others. Also, the remaining 100 units of housing for the elderly were not forthcoming because HUD and the city could not agree on a suitable site.

LRA did not submit to HUD a revised relocation plan showing how it intended to provide other housing to meet the needs of persons displaced by the Lynnway-Summer project. As previously noted, HUD guidelines require that, if the relocation workload or resources change significantly after HUD

approves of the relocation plan, a revised plan must be submitted to HUD.

Because the housing units specified as relocation resources in the plan approved by HUD in October 1968 were not forthcoming, HUD representatives met with LRA officials in June 1969 to discuss relocation housing in Lynn. HUD records show that HUD considered suspending the relocation activity of the Lynnway-Summer project but concluded that a temporary suspension would not be beneficial in view of previous delays and the fact that such a halt might result in undue hardship on residents of the urban renewal area. Because of this, HUD representatives advised LRA in June 1969 that temporary onsite housing must be made available, as the need arose.

Although LRA's relocation plan provided for sufficient housing to relocate persons displaced by the Lynnway-Summer project, not all the housing included in the plan became available nor did LRA update the plan to reflect the current situation until April 1972 when LRA submitted a revised relocation plan to HUD. HUD reviewed the revised plan and, in July 1972, advised LRA that its relocation plan was not feasible because the plan did not provide for sufficient relocation housing. Meetings of HUD, LRA, and Lynn Housing Authority officials were then held, and HUD, in December 1972, approved an application from the Lynn Housing Authority for long-term financial assistance for leasing an additional 70 units of low-income housing to assist in alleviating the existing relocation problem in Lynn.

RELOCATION RESULTS

In September 1965, when LRA submitted its application to HUD for an ELA loan, LRA estimated that 584 families and 193 individuals would have to be relocated from the urban renewal area during the ELA and execution phases. As of April 30, 1973, a total of 546 families and 263 individuals had been relocated, and 69 families and 24 individuals remained to be relocated.

	Families	Individuals	Total
Initially estimated relocation workload	584	193	777
Subsequent increase in relocation workload	31	94	125
Total relocation workload as of April 30, 1973	615	287	902
Families and individuals relocated as of April 30, 1973	546	263	809
Remaining relocation workload as of April 30, 1973	69	24	93

A table showing the relocation resources used to house the families and individuals relocated from the project area as of April 30, 1973, is shown below.

	ELA phase	Execution phase	Total
Families:			
Rented housing	109	172	281
Purchased housing	25	91	116
Public housing	33	77	110
[a]Other	12	27	[a]39
	179	367	546
Individuals:			
Rented housing	80	127	207
Purchased housing	-	2	2
Public housing	11	36	47
[a]Other	-	7	[a]7
	91	172	263
Total	270	539	809

[a]"Other" includes those whose whereabouts were unknown, those who relocated on their own outside the city and for which LRA had no information, and 3 families who relocated on their own to substandard housing.

Of the 809 families and individuals relocated as of April 30, 1973, LRA had relocated 705 of them, or 87 percent, during the 57-month period between April 1966 and December 31, 1970, and the remaining 104, or 13 percent, during the 28-month period between January 1, 1971, and April 30, 1973. We discussed this apparent slowdown in relocation activity with LRA officials who told us that it was due to a number of factors including (1) the reduction of LRA's relocation staff, (2) a lack of available public housing in Lynn to house low-income families and particularly large low-income families, (3) the inability of some urban renewal area residents to move until LRA paid them for their properties, (4) the belief of certain families that the Lynnway-Summer project would not be completed and that they would not be required to relocate, and (5) a lack of available funds to acquire additional properties in the project area while the city's share was outstanding.

In April 1967 HUD entered into a long-term contract to provide the Lynn Housing Authority with Federal financial assistance to lease 150 units of housing for rental to low-income families. In 1969 the contract was amended to provide funds for an additional 100 units of housing. Relocatees

from the urban renewal area moved into 68 of these 250 units and the other 182 units were rented to other low-income families and individuals in Lynn. After 1969 HUD continued to provide financial assistance to the Lynn Housing Authority for the 250 units.

The Lynn Housing Authority in July 1972 submitted an application to HUD for long-term financial assistance to lease an additional 200 units of low-income housing under HUD's low-rent public housing leasing program to assist in alleviating the relocation problem in Lynn. In December 1972 HUD awarded the Lynn Housing Authority $131,021 a year for 21 years to lease 70 units.

HUD officials advised us that they awarded funds for the 70 units because (1) there was a shortage of program funds and (2) only that number of units was needed to house those families and individuals remaining to be relocated from the urban renewal area and expected to be eligible for low-rent public housing. The Lynn Housing Authority has assured HUD that these families and individuals would have first priority in obtaining housing in the 70 units. As of May 10, 1973, the Lynn Housing Authority had leased 13 of the 70 units. Nine of the 13 units were occupied by families and individuals that had been relocated from the urban renewal area.

TEMPORARY RELOCATIONS IN PROJECT AREA

One of the charges brought against LRA was that, contrary to HUD guidelines, it relocated project residents into substandard onsite housing. Between October 1968, when the project entered the execution phase, and April 30, 1973, 50 families and individuals were temporarily relocated into onsite housing. Some families were involved in more than 1 onsite move because a total of 69 such moves had been completed. As of April 30, 1973, 19 families and individuals were temporarily residing in onsite housing units. Some had been in the onsite relocation units for at least 2 years.

LRA's executive director told us that additional onsite relocations would be kept to a minimum but that some might be necessary for the project to progress and for redevelopment of certain properties to continue. The Lynn Housing Authority was experiencing difficulty in leasing housing for the low-income families remaining in the urban renewal area.

HUD guidelines require that, before an onsite relocation is made, the dwelling unit meet minimum local housing standards. Lynn requires that, before occupancy, onsite relocation units be inspected by the city's code enforcement inspectors to insure that the units are in compliance with minimum local housing standards.

A review of LRA and city records and discussions with LRA and city officials indicated that Lynn's code enforcement inspectors had inspected only 36 of the 69 onsite relocation units before their use as temporary housing. Lynn's senior code enforcement inspector advised us that 12 additional onsite relocation units had been inspected before their use as temporary housing, that LRA was informally advised that the 12 units met the standards, and that city records were not documented to show these inspections. He advised us further that the city did not inspect the other 21 units because LRA did not request that they be inspected.

HUD guidelines also require LPAs to maintain these housing units in a habitable condition to protect the health and safety of occupants. In July 1972 we requested an inspection of 16 of the existing 29 onsite relocation units by Lynn's senior code enforcement inspector. The inspector determined that 8 of the 16 units violated the Massachusetts housing code because they needed repairs to fire doors, porches, steps, railings, and ceilings, as well as the replacement of broken windows.

We discussed these deficiencies with LRA's executive director, who told us that the eight units met the minimum housing standards when they were initially used but that they had deteriorated to a substandard condition as a result of the social habits and negligence of the occupants. He stated also that, although LRA had incurred substantial costs in maintaining these units, LRA had not been able to inspect the properties regularly or to maintain them in a standard condition because of a shortage of funds and personnel.

After we notified LRA of these deficiencies in July 1972, LRA took action to bring these units up to minimum standards.

CHAPTER 4

LRA'S INVOLVEMENT IN LOCAL POLITICAL ACTIVITIES

Four of the charges brought against LRA concerned a circular LRA mailed to the registered voters of Lynn just before the November 1971 referendum and a circular LRA distributed as an insert in a local newspaper at about the same time. These circulars supported the city's sale of bonds to raise funds to pay its cash share of the cost of the Lynnway-Summer project. A referendum question was placed on the ballot for the November 1971 election to determine whether the citizens of Lynn approved the city council's decision to sell bonds for the local share of the project costs.

One of the charges was that LRA violated the Hatch Act by interfering in the bond referendum. Another was that LRA violated Federal law by not stating in the circular or in the newspaper insert that they were paid for with Federal funds. The third charge was that LRA violated State law by not signing the circular or the newspaper insert. The fourth charge was that LRA intentionally misled the city council in its inquiries concerning the financing of the circular and newspaper insert.

Our review did not sustain three of the four charges. On the remaining charge--that LRA violated State law by not signing the circular or newspaper insert--a representative of the Massachusetts attorney general's office told us that LRA's actions appeared to violate State law.

As previously stated, the referendum was to determine whether the citizens of Lynn would ratify the city council's decision to sell bonds to raise funds for the project. LRA campaigned to encourage the voters of Lynn to support the city council decision because it needed the local share of project costs. In its circular and newspaper insert, LRA outlined the advantages of financing the local share by selling bonds rather than by increasing the city's property tax--the alternative method suggested by the city.

LRA mailed the circular to about 30,000 registered voters at a cost of about $3,400 for printing and postage. The newspaper insert, which was a copy of the circular

without the page showing the addressee and LRA's return address, cost LRA about $1,120 for printing. The newspaper did not charge LRA for distributing the insert. In addition, LRA employees erected signs and distributed leaflets paid for by a local citizens group supporting the sale of bonds by the city.

We solicited the views of HUD's regional counsel in Boston and the U.S. attorney in Boston to determine whether LRA's referendum activities violated the Hatch Act (5 U.S.C. 1501). The Hatch Act restricts the political activities of local agency officers and employees if their principal employment is connected with an activity of the local agency which is financed, in whole or in part, by Federal funds. The Hatch Act, however, does not prohibit political activity in connection with any questions--such as a referendum--that are not specifically identified with any National or State political party.

The regional counsel and the representative of the U.S. attorney's office told us that LRA's activities on the bond referendum did not appear to violate the Hatch Act because they were nonpartisan in nature and therefore exempt from the restrictions of the Hatch Act. The regional counsel found no indication that HUD's guidelines pertaining to the Hatch Act had been violated by LRA.

The second charge brought against LRA was that it had violated Federal law by not stating in the circular and newspaper insert that they were financed with Federal funds. LPAs, according to HUD guidelines, are required to point out in any "book, pamphlet, plan, report or map prepared by the LPA" that Federal funds were used in financing the urban renewal project. This acknowledgement is to be included "on the front cover or title page that contains the name of the LPA." LRA did not state in the circular or newspaper insert that the items were financed with Federal funds, but LRA officials told us this was an oversight.

We solicited the views of HUD's regional counsel on this requirement and were advised that, because the purpose of the circular and the newspaper insert was to advocate passage of a local referendum, a notation regarding Federal financial assistance in the preparation of these materials might have been construed as an indication of Federal

Government concern over the outcome of the referendum. The regional counsel expressed the belief that, in this instance, the acknowledgement requirement would not have been enforced.

Regarding the charge that LRA violated State law by not signing the circular or newspaper insert, a representative of the Massachusetts attorney general's office advised us that the Massachusetts General Laws (ch. 56, sec. 41) prohibit any person from printing or distributing a circular designed to support or defeat any question submitted to the voters unless either the names of the chairman and secretary, or the names of two other officers, of the organization issuing the circular, or of some voter who is responsible therefor, appear on the circular in a conspicuous place. The attorney general's representative stated that the LRA's failure to sign the circular or newspaper insert appeared to violate State law and mentioned a case in which an individual had been convicted for a similar violation. He stated further, however, a similar New York statute was ruled unconstitutional in 1968 by a Federal district court and the Massachusetts law might also be ruled unconstitutional if challenged in the courts.

HUD's regional counsel informed us, concerning the charge that LRA failed to sign the circular and newspaper insert, that HUD guidelines do not require officials of an LPA to sign material disseminated in connection with a referendum. He said HUD guidelines assume that the LPA's name will appear on material published for public distribution. He stated also that even if the signatures of LPA officials were required, the fact that the return address of LRA appeared on the first page of the circular was sufficient to show LRA as the responsible agency and that this should have informed the Lynn voters, who also read the later newspaper insert, that LRA was also responsible for its issuance.

The charge that LRA intentionally misled the city council in its inquiries concerning the financing of the circular and newspaper insert related to the fact that, when the former chairman of the LRA board of directors was asked, during a city council meeting on January 17, 1972, if LRA had paid for the circular and the newspaper insert, he replied that LRA had paid only for the circular.

We discussed this matter with the former chairman who told us that, at the time of the city council meeting, he understood that the newspaper insert was financed by a local citizens group. He added that it was not until the day after the meeting that he learned that LRA had paid for printing the newspaper insert.

CHAPTER 5

OTHER CHARGES

The remaining five charges brought against LRA relate to the delay in payment of the city's share of project costs, failure to properly maintain acquired buildings, improper allocation of administrative expenses, misuse of project funds, and lack of citizen participation in Lynn's urban renewal activities.

Certain possible misuses of project funds noted during our review are discussed in this chapter.

DELAY IN PAYMENT TO LRA OF THE CITY'S SHARE OF PROJECT COSTS

Another charge brought against LRA was that it attempted to deny the citizens of Lynn the opportunity to determine whether the Lynnway-Summer project would be carried out, by not demanding the city's cash share of project costs when due in January 1969. A citizens group contended that, had LRA demanded the city's cash share of project costs when it was due in January 1969, the city council would have been forced to approve the bond order and the citizens group could have filed a referendum petition, allowing the citizens of Lynn to make the determination.

LRA officials advised us, however, that the referendum was to determine whether the citizens approved of the city council's decision to finance the local share of project costs by selling bonds, not to decide whether the project should be carried out.

The charge also included a statement that LRA, the mayor, and the city solicitor, without the consent or knowledge of the city council, requested continued Federal funding of the project even though the city's cash share had not been paid to LRA. The citizens group contended that, if Federal funding had not continued, the city council would have been forced to approve the bond order and the group could have filed its referendum petition.

In December 1967 Lynn and LRA entered into a cooperation agreement which provided that the city pay LRA $4.2 million,

or one-third of the estimated cost of the Lynnway-Summer project. The city was to provide $3.9 million in cash by January 30, 1969, and $343,000 in noncash contributions. The agreement did not specify when the city's noncash contributions were to be provided.

As discussed on page 13, the city did not pay its cash contribution to LRA when it was due on January 30, 1969. According to HUD records, in September 1969 HUD made a $1.75 million progress payment to LRA on the basis of a letter from the mayor stating that an order authorizing the sale of bonds would be submitted to the city council by November 15, 1969.

The individual who was president of the city council in 1969 told us that the city council informally decided to postpone the bond order vote until the latter part of 1969 and that the council members knew that LRA had requested HUD to continue funding the project although the local share of project costs had not been received.

FAILURE TO PROPERLY MAINTAIN ACQUIRED BUILDINGS

One of the charges was that LRA had not maintained, in a proper and safe condition, those buildings in its possession which had been designated for demolition. The city of Lynn building inspector stated that the city building and sanitary codes require that buildings declared unfit for human habitation be boarded up and secured until demolition is accomplished so as not to endanger or materially impair the health and well-being of the public. HUD guidelines require that all buildings earmarked for demolition be demolished promptly and that the properties be protected from vandalism, fire, and unauthorized occupancy until they are demolished.

Discussions with LRA and officials of the city health department and city building department confirmed that, from inception of the Lynnway-Summer project through November 1970 (about 1 year after the eminent domain taking), buildings taken by LRA were demolished promptly and, accordingly, did not require any special handling to maintain prior to demolition.

An LRA official advised us that between November 1970 and September 1971, LRA delayed in demolishing about 30 vacant buildings in the urban renewal area because of a fund shortage. LRA and city officials told us that LRA took proper precautions by boarding up these buildings but that continual vandalism made it almost impossible to keep the buildings secured. HUD, in commenting on the draft report, stated that the city, under its police powers, was required to make sure these buildings were properly boarded up or were taken down, and, if LRA could not pay for this work, the city could have performed the work and claimed credit as part of its noncash contribution.

City officials told us that LRA cooperated, to the extent possible, in demolishing those buildings that were severe fire and safety hazards. In this regard, we noted that, at the city's request in June 1971, LRA demolished two vacant buildings that were a fire hazard to an adjacent high school athletic facility. LRA informed the city at that time, however, that the delay in demolishing vacant buildings in the project area was due to a fund shortage because the city had not paid its share of project costs.

In September 1971 LRA awarded a $23,000 contract to demolish 15 buildings that had been vacant for at least one year. Between December 1971 and February 1972, LRA awarded contracts totaling about $17,500 for demolishing 16 other buildings. Some of these buildings had been vacant for up to 18 months. In June 1972 LRA received the city's cash share of the project costs and contracted for the demolition of the 11 houses and 7 other buildings that remained to be demolished at that time. Eight of the 11 houses were temporarily being occupied by families being relocated from the urban renewal area. HUD officials informed us in January 1973 that the 11 houses and 7 other buildings had been demolished.

IMPROPER ALLOCATION OF ADMINISTRATIVE EXPENSES

One of the charges was that LRA allocated to the Market Street urban renewal project certain administrative expenses that should have been allocated to the Lynnway-Summer project. From April 1969 through October 1972, LRA incurred administrative expenses totaling about $917,000, of which

$135,000 was allocated to the Market Street project and $782,000 to the Lynnway-Summer project. LRA's financial records showed that about $89,000, or about 65 percent, of the $135,000 of administrative expenses allocated to the Market Street project during this period should have been allocated to the Lynnway-Summer project.

HUD guidelines require an LPA to formally adopt an equitable and realistic method for allocating its administrative costs between projects administered by the LPA. They also require that a description of the allocation formula be submitted to HUD with the LPA's initial grant application and that HUD be notified of any amendment to that formula. Contrary to its guidelines, HUD awarded LRA a grant for the Lynnway-Summer project without being provided with a description of LRA's allocation formula. Furthermore, LRA had not formally adopted a method for allocating its administrative costs between the Market Street and Lynnway-Summer projects.

A review of records and discussions with LRA officials showed that from April 1969 through October 1972, LRA allocated its administrative expenses as follows:

Period	Allocation percentages	
	Market Street project	Lynnway-Summer project
Apr. 1969 to May 1971	5	95
June 1971 to Dec. 1971	75	25
Jan. 1972	42	58
Feb. 1972 to Oct. 1972	5	95

Had LRA continued to distribute 95 percent of its administrative costs to the Lynnway-Summer project during the 8-month period from June 1971 through January 1972, LRA would have charged an additional $89,000 to the project.

The LRA executive director advised us that, for April 1969 through October 1972, allocation percentages of 95 and 5 would have represented an equitable and realistic allocation of administrative expenses. He stated, however, that LRA changed the allocation percentages and in effect "overcharged" the Market Street project because of the lack of funds for the Lynnway-Summer project and did not advise HUD of the changes.

We brought this matter to the attention of HUD program officials in the Boston area office in May 1972. These officials said they would review LRA's allocation of administrative expenses and would advise LRA of any necessary adjustments.

In November 1972 we found that corrective action had not been taken. On November 17, 1972, shortly after we followed up on this matter, the program officials requested the HUD regional Inspector General for Audit to have his staff review LRA's allocation of administrative expenses. On December 11, 1972, he issued a report to the Director of the HUD Boston area office agreeing with our findings. However, due to an oversight, he was requested to review only LRA's allocation of administrative expenses during the 7 months from June through December 1971.

The report recommended that the Boston area office advise LRA to adjust its project costs for the period June through December 31, 1971, and transfer $73,692 of administrative costs from the Market Street project to the Lynnway-Summer project. The report recommended also that LRA be instructed to institute a 3- to 6-month test period and maintain daily time records to establish the reasonableness and validity of its allocation percentages.

In a letter dated April 30, 1973, the Boston area office advised LRA that, because it did not have sufficient funds available for the Lynnway-Summer project to cover those administrative costs improperly charged to the Market Street project, HUD would not require LRA to transfer these costs. However, if HUD increased the grant in an amount sufficient to cover these costs, LRA would be required to transfer these costs.

MISUSE OF PROJECT FUNDS

The elected officials charged further that an LRA property management employee worked on private property of an LRA official and used LRA materials for such work. We discussed this matter with city officials and several LRA employees, who said an LRA property management employee, in calendar years 1966 and 1967, worked on property owned by an LRA official.

The employee involved told us that, between November 1966 and February 1967, he made exterior repairs, constructed a patio, and did other maintenance and improvement work at the LRA official's house. The employee stated that the official requested that he perform the work and that he did it during his normal duty hours at LRA without any additional compensation. The employee stated, however, that the materials used were provided by the official. The employee estimated that LRA paid him about $2,000 in salary during the period he worked on the official's house. The LRA Property Management Director confirmed the information given to us by the employee.

The LRA official acknowledged that the work was done but said that it was done during nonduty hours and paid for by him, not LRA. He could not, however, provide us with any documentation showing that he paid for the services because he said that he had disposed of his canceled checks for the period in question.

In September 1972 we referred our findings to the Chairman of the LRA board of directors and to the HUD Regional Inspector General for Investigation. We were told that the matter would be investigated by the board and by HUD and that restitution would be sought if warranted.

On March 12, 1973, the regional Inspector General issued a report stating that the assistant U.S. attorney in Boston was apprised of the results of HUD's investigation but that he declined to prosecute either civilly or criminally because of the expiration of the time limit specified by the statue of limitations.

Several LRA employees reported to us another incident involving possible misuse of LRA funds. Two LRA maintenance

aides assisted a HUD employee, who was formerly employed by LRA, in moving certain personal property during duty hours in August 1972.

We referred this matter to the HUD regional Inspector General for Investigation. On January 10, 1973, he reported that the two maintenance aides, while on duty with LRA in August 1972, assisted the HUD employee in moving his personal property to a new residence. The work, according to the HUD report, took about a day and a half and involved the use of an LRA vehicle.

The HUD Inspector General's office advised us that the results of the investigation were referred to the Director of the HUD Boston area office for his review and determination of what action should be taken. On March 10, 1973, the Director issued a letter of reprimand to the employee.

The HUD Inspector General referred the results of the investigation to the Department of Labor for its consideration because the two maintenance aides, who were employed by the city of Lynn to work at LRA, were paid with funds provided by the Department of Labor under the Emergency Employment Act of 1971.

LACK OF CITIZEN PARTICIPATION IN LYNN'S URBAN RENEWAL ACTIVITIES

Another charge was that LRA failed to comply with HUD guidelines by not insuring that a citizens advisory council (CAC) was actively involved in the Lynnway-Summer project.

HUD policy provides for citizens to have the opportunity to participate in policies and programs which affect their welfare. To implement this policy, HUD requires that communities have a HUD-approved workable program in effect before an application for many of HUD's programs--including urban renewal--can be approved.

HUD requires that a city's workable program contain evidence that the community is providing and expanding opportunities for citizens, especially those who are poor and members of minority groups, to participate in all phases of the related HUD-assisted renewal and housing programs. The type of organizational structure to implement citizen

involvement is decided upon by the community; however, the community must demonstrate in its workable program that the city is providing the citizens with relevant and timely information about the HUD-assisted programs in the city and with technical assistance and access to the decisionmakers to enable the citizens to participate in the administration of the programs.

In 1956 the mayor of Lynn established a CAC to comply with HUD's workable program requirement and to enable the citizens of Lynn to participate in the city's urban renewal and housing programs. The LRA executive director told us that CAC was actively involved in these programs between 1956 and 1958 and again between 1962 and 1969. A former mayor of Lynn advised us that CAC members, appointed by the mayor for an indefinite period, included residents of the urban renewal area. From 1962 through 1969, CAC consisted of about 50 members and was involved in all major issues confronting the city administration, including the urban renewal, code enforcement, highway, housing, and Model Cities programs.

In January 1970 the newly elected mayor of Lynn dissolved the CAC and established a number of citizens task forces to take its place, including task forces on beautification, communications, land uses, and transportation. The mayor told us that HUD was not advised of his decision to dissolve CAC and that HUD had not monitored the city's actions to ascertain whether it was complying with HUD's workable program requirements during 1970 and 1971.

HUD requires cities to submit applications for recertification of their workable programs every 2 years. Lynn submitted a recertification application in November 1969. HUD records showed that CAC was actively involved in most aspects of the HUD-assisted programs in Lynn, including urban renewal, until late 1969.

HUD program officials advised us that the decreasing involvement and later dissolution of CAC in HUD-assisted urban renewal and housing programs in Lynn was not known to HUD during 1969 and 1970. On August 1, 1970, HUD approved the city's November 1969 recertification application. A HUD official advised us that this approval was based partially on the fact that the application reflected a strongly functioning CAC in Lynn. He advised us also that HUD

representatives did not visit Lynn to review the city's workable program activities until March 1972--28 months after the city submitted its November 1969 recertification application.

On July 31, 1972, the city's workable program certification expired. HUD program officials informed us in May 1973 that the city had not yet submitted a recertification application to HUD. Applications for new HUD-supported programs in Lynn would not be approved until the city had its workable program recertified. Although the workable program is a prerequisite for an urban renewal project, once a project is approved, this approval is not withdrawn should the certification lapse. The certification would have to be in effect only if substantial changes are subsequently proposed to HUD in the city's urban renewal plan.

POSSIBLE EMBEZZLEMENT OF RELOCATION FUNDS

In May 1972 an individual whose family had been relocated from the urban renewal area complained to a member of the Lynn city council that she had not received her relocation payment from LRA. The council member referred the matter to LRA and to our Office. LRA advised us that two checks, totaling $917, had been issued to the individual and that the checks had been cashed with an endorsement that did not match the individual's signature.

After this matter was publicized, several other families and individuals said that they had not received their relocation checks from LRA. Because of the possible criminal implications, we referred the matter to the HUD Regional Inspector General for Investigation in June 1972.

LRA, recognizing the possibility of additional cases of embezzlement of public funds, reviewed the relocation payments it made during the period January 1971 through June 1972--792 checks totaling about $220,000. The review showed that 18 of the checks issued between July 1971 and May 1972, totaling about $6,500, were not received by the legal recipients.

The Regional Inspector General, on the basis of a preliminary investigation, referred the case to the Department of Justice later that month. Justice advised HUD, however, that it would not review the case because it considered the case to be a local matter.

The Lynn Police Department subsequently brought formal charges against an LRA employee for embezzling LRA funds. A preliminary hearing was held on October 4, 1972, in a local court, at which time the court determined that sufficient evidence existed for the case to be brought before a grand jury. On October 5, 1972, the employee involved submitted his resignation to the board of directors. On January 12, 1973, the grand jury indicted the former employee on 18 counts of forgery and larceny.

In November 1972 LRA officials told us that they believed that they had accounted for all relocation payments and that LRA had revised its procedures for making relocation payments and was requiring recipients to sign payment receipts at the LRA office.

CHAPTER 6

SCOPE OF REVIEW

We examined project records at LRA, the city of Lynn, the Massachusetts Department of Community Affairs, and HUD's regional and area offices in Boston, Massachusetts. We held discussions with officials of HUD, LRA, and the city of Lynn; representatives of the Massachusetts Attorney General's office and department of community affairs; and representatives of the U.S. attorney's office in Boston. In addition, we interviewed residents of the Lynnway-Summer urban renewal project area and other individuals associated with the project.

HOUSE OF REPRESENTATIVES
COMMITTEE ON BANKING AND CURRENCY
NINETY-SECOND CONGRESS
2129 RAYBURN HOUSE OFFICE BUILDING
WASHINGTON, D.C. 20515

March 1, 1972

Honorable Elmer B. Staats
Comptroller General of the United States
General Accounting Office
Washington, D. C.

Dear Mr. Staats:

A number of serious allegations regarding the operations of the Lynn, Massachusetts, Redevelopment Authority have been brought to my attention by my colleague, Congressman Michael Harrington of Massachusetts.

A delegation of elected officials from the City of Lynn discussed with my staff the problems that they are having with the Lynn Redevelopment Authority. Allegations concerning the financial operations of the Authority, their misuse of Federal urban renewal funds, and a charge of active political campaign against the local elected officials were made at this meeting with my staff.

I would respectfully request that the General Accounting Office conduct a thorough investigation and audit of the operations of the Lynn Redevelopment Authority and report back to me as soon as possible.

Sincerely yours,

Wright Patman
Chairman

CC: Congressman Michael Harrington

LIST OF 15 CHARGES MADE IN FEBRUARY 1972 BY ELECTED LYNN OFFICIALS CONCERNING LRA'S ADMINISTRATION OF THE LYNNWAY-SUMMER URBAN RENEWAL PROJECT (note a)

1. LRA did not properly advise urban renewal area property owners that they could, within 2 years of a November 1969 eminent domain taking, petition the court to award them damages if they were not satisfied with the amount of the LRA awards. (See p. 16.)

2. LRA had not paid for all of the properties it acquired through its November 1969 eminent domain taking. (See p. 17.)

3. LRA had inappropriately charged rent to former owners who were occupying their properties after the taking but who had not been paid by LRA for their properties. (See p. 27.)

4. LRA's relocation plan did not provide for sufficient housing to relocate persons displaced by the Lynnway-Summer project. (See p. 29.)

5. LRA did not relocate displaced families promptly and effectively. (See p. 29.)

6. LRA failed to follow HUD guidelines and temporarily relocated project residents into substandard housing acquired by LRA in the project area. (See p. 29.)

7. LRA violated the Hatch Act by interfering in the November 1971 referendum which was to determine whether the citizens of Lynn would ratify the city council's decision to sell bonds to raise funds for the city's share of the costs of the Lynnway-Summer project. (See p. 41.)

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[a]The original 15 charges were clarified by GAO on the basis of its discussions with the complaining parties.

8. LRA violated Federal law by not stating in a circular and newspaper insert that the circular and insert were paid for with Federal funds. LRA mailed the circular to the registered voters of Lynn just before the November 1971 referendum vote and distributed a circular as an insert in a local newspaper at about the same time. Both items supported the sale of bonds by the city to raise funds to pay its cash share of the cost of the Lynnway-Summer project. (See p. 42.)

9. LRA violated State law by not signing the circular or newspaper insert. (See p. 42.)

10. LRA intentionally misled the Lynn city council in its inquiries concerning the financing of the circular and newspaper insert. (See p. 43.)

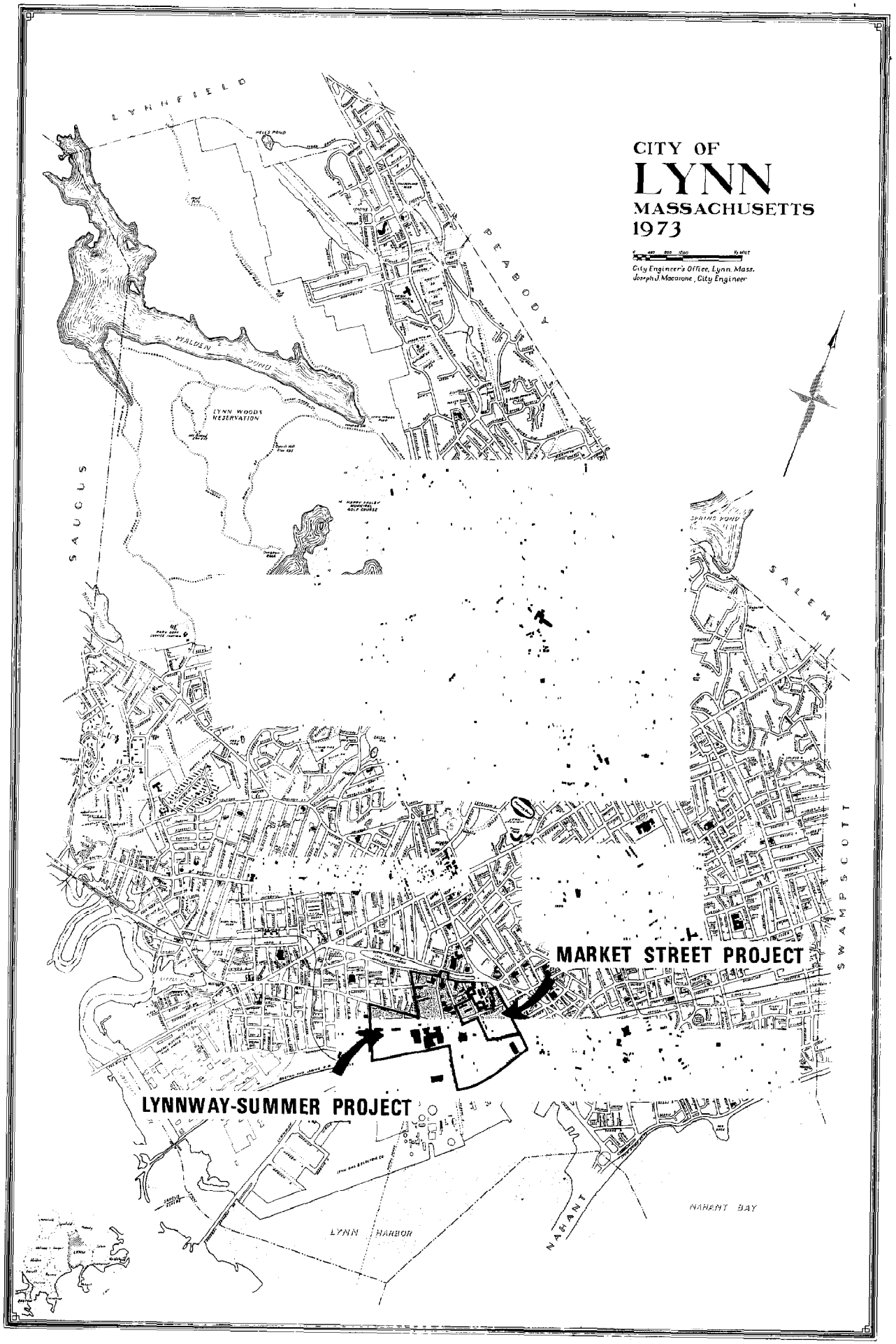
11. LRA attempted to deny the citizens of Lynn the opportunity to determine whether the Lynnway-Summer project would be carried out by not demanding the city's cash share of project costs when due in January 1969. LRA, the mayor, and the city solicitor, without the consent or knowledge of the city council, requested continued Federal funding of the project even though the city's cash share had not been paid to LRA. (See pp. 45 and 46.)

12. LRA had not properly maintained those buildings in its possession which had been designated for demolition. (See p. 46.)

13. LRA allocated to the Market Street urban renewal project--a substantially completed urban renewal project in Lynn, also being administered by LRA--certain administrative expenses that should have been allocated to the Lynnway-Summer project. (See p. 47.)

14. An LRA property management employee performed work on private property of an LRA official and used LRA materials for such work. (See p. 50.)

15. LRA failed to comply with HUD guidelines by not insuring that a Citizens Advisory Council was actively involved in the Lynnway-Summer project. (See p. 51.)


CITY OF
LYNN
MASSACHUSETTS
1973
City Engineer's Office, Lynn, Mass.
Joseph J. Macaione, City Engineer
LYNNFIELD
PEABODY
SAUGUS
SALEM
SWAMPSCOTT
NAHANT
NAHANT BAY
LYNN HARBOR
LYNN WOODS RESERVATION
MARKET STREET PROJECT
LYNNWAY-SUMMER PROJECT

LYNNWAY-SUMMER URBAN RENEWAL AREA